



November 30, 1976

State Land Board
State of Utah
105 State Capitol
Salt Lake City, Utah 84114

Attention: Mr. Charles R. Hansen, Director

Re: Request Pursuant to Section 14 of the
Sand Wash Unit Agreement for an Extension
of Time for Development Commitments
Required by Section 8 of the Unit Agreement

Gentlemen:

On December 16, 1975, Tosco Corporation (formerly The Oil Shale Corporation) and the State of Utah entered into a Unit Agreement and Cooperative Plan of Development for the development and operation of the Sand Wash Plan Area, Uintah County, Utah. The Unit Agreement, which was effective as of the 10th day of June, 1975, provided for the unitization of five non-contiguous blocks of oil shale lands held under 29 State leases by Tosco Corporation and established the terms and conditions for the organization and operation of the unit. Under the agreement Tosco Corporation was designated as operator of the unit. Tosco Corporation is also the sole owner of all leases within the unit at the present time.

Under paragraph 8, the Unit Agreement is conditioned upon a "development commitment" by Tosco Corporation requiring expenditures of funds for the benefit of the unit in accordance with the following schedule:

Prior to 12:00 o'clock P.M. December 31, 1977	\$2,000,000
Between the effective date of this agreement and 12:00 o'clock P.M. December 31, 1979	\$4,000,000 (cumulative total)
Between the effective date of this agreement and 12:00 o'clock P.M. December 31, 1981	\$6,000,000 (cumulative total)

Between the effective date of this agreement and 12:00 o'clock P.M. December 31, 1984	\$8,000,000 (cumulative total)
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The first commitment period under Paragraph 8 ends on December 31, 1977, at which time a total of \$2,000,000 is required to have been expended by Tosco Corporation. At the present time Tosco Corporation has spent approximately \$0.5 million in allowable development costs on the Sand Wash Unit for establishing meteorological monitoring facilities and carrying out environmental and feasibility studies. Tosco has established a field office in Vernal which is staffed by four full time personnel.

In light of recent economic and political developments related to commercialization of oil shale and uncertainties regarding environmental matters in general, Tosco Corporation now finds that the timing of development expenditures required by the first commitment dates of the Unit Agreement would impose unreasonable risks on the company during the next year. Therefore, Tosco Corporation requests the State Land Board to take action authorized by Section 14 of the Unit Agreement to extend the development expenditure requirements for the first three commitment dates by one year. That action will not reduce the total expenditure requirements, nor the final commitment date for total expenditures now provided by the Unit Agreement. In support of that request, Tosco Corporation respectfully submits the following reasons:

1. Planning and program development for oil shale have become more difficult due to current environmental uncertainties affecting oil shale development including reports by the Operator of the nearby Federal Lease Tracts U-a and U-b that naturally occurring pollutent levels already exceed federal standards; the narrow defeat of amendments to the Clean Air Act in the last session of Congress which, if passed, would have restricted industrial growth including oil shale in the West; and, the uncertainties related to environmental policies of the new Administration at the federal level, which will require some time to evolve.
2. Federal governmental economic and policy uncertainties have been complicated by the failure (by one vote) of the synthetic loan guarantee bill in the last session of Congress, and uncertainties regarding other federal incentive and policy matters.

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3. Suspensions have been granted to all four federal oil shale lease tracts. The resulting delays occurring in development of those and related projects and operations make it imprudent to commit to substantial development expenditures at the present time.
4. For all of the foregoing reasons, it would be counter-productive to proceed rapidly with development at a time when major efforts are being devoted to changing regulations and formulating policy affecting oil shale development.

For the foregoing reasons, Tosco Corporation hereby requests the State Land Board, in the public interest, to extend the development commitments of Section 8 of the Unit Agreement, pursuant to the terms of Section 14 of that Agreement, as follows:

Prior to 12:00 o'clock P.M. December 31, 1978	\$2,000,000
Between the effective date of this agreement and 12:00 o'clock P.M. December 31, 1980	\$4,000,000 (cumulative total)
Between the effective date of this agreement and 12:00 o'clock P.M. December 31, 1982	\$6,000,000 (cumulative total)
Between the effective date of this agreement and 12:00 o'clock P.M. December 31, 1984	\$8,000,000 (cumulative total)

All other provisions of the Unit Agreement will remain the same and unaffected by this action of the Board. Tosco Corporation will continue its field program and environmental studies now underway on the Sand Wash Unit.

Tosco Corporation will be pleased to provide any additional information in support of this request or to meet with the Board if desired.

Respectfully yours,

R. GLENN VAWTER

RGV:sw